# Prince Edward Island Development Agency

## 1991 Annual Report

92-04997/

# Corporate Objectives

The Prince Edward Island Development Agency is a provincial crown corporation established in 1984 with the proclamation of the Prince Edward Island Development Agency Act.

The role of the Agency is to stimulate the growth of economic development and create long-term jobs by promoting new and expanded business. This role is carried out through the conduct of vigorous business development activities and provision of a wide range of financial, marketing, and property management programs and services.

The Board of Directors of the Agency is chaired by the Minister of Industry and includes ten private-sector business leaders. In addition to the partnership of the public and private sectors, as represented by the Board, each of the Agency's three operating divisions is supported by a committee from the Board.

More specifically, the Agency's overall objectives are to develop, sustain and improve business activity in the province and to promote Prince Edward Island as a location for new or expanding economic activity. The Agency's three divisions carry out specific activities related to these objectives.

The Business Development Division seeks and encourages firms to locate in Prince Edward Island and encourages the expansion and modernization of existing business.

The Finance Division encourages the startup and expansion of manufacturing enterprises and diversification of the Island's economy through the provision of financing, financial incentives and industrial facilities.

The Marketing Division assists in increasing the market share for Island producers, processors and manufacturers of local, national and international markets for the Island's natural and manufactured products and associated services.

# Agency Services

## Business D

### Prospecting

Industrial prospecting identifies and assists new business to locate in Prince Edward Island.

Assists potential business to move to Prince Edward Island, and existing companies to expand on the Island. Financial assistance can be sourced from the private sector as well as via government incentives. The Business Development Division puts the prospective company together with the most appropriate source of capital.

Coordinating service facilitates the entry of the new company into Prince Edward Island with introductions to the local business community, locating suppliers and staffing and attention to start-up details. This service continues through this initial phase until it is no longer needed.

### Property

Provides suitable facilities for new enterprises at reduced rates during start-up in the West Royalty and Summerside Area Industrial Parks owned and operated by the Agency.

Provides new and expanding industries in all areas of the province with rental incentives similar to those available in the Agency's industrial malls.

Provides serviced industrial sites for sale at rates below market value to manufacturers and processors for the construction of industrial facilities.

## Mar

### Resource Information

Provides marketing research services which identify new or increased sales opportunities in local, national and international markets.

### Market Organization

Assists primary producers, processors and manufacturers in the formation and maintenance of associations, commodity boards and other marketing organizations.

Provides assistance to upgrade marketing skills and take better advantage of marketing opportunities.

Provides the support required to formulate short and long term marketing plans and assist in their implementation.

### Marketing Promotion

Provides advertising and promotion assistance to advertise and promote both companies and their products in an effort to maximize sales.

Assists both the preparation and attendance at product trade shows leading to the development and establishment of domestic and foreign market contacts.

### Market Development

Assists in generating sales of Prince Edward Island manufactured and processed products.

Provides assistance for the development and evaluation of new or improved products and processes to expand production and markets.

## Finance

### Equity

Provides cash grants of up to 20 percent and in special circumstances 25 percent, to eligible investors to assist entrepreneurs in attracting private capital through the Equity Investors' Incentive Program.

### Loans

Provides manufacturers and processors with financing of capital assets which are directly associated with production facilities.

### Other

Provides a financial incentive to manufacturing and processing companies to create new employment opportunities under the Job Creation program.

# Report of the Chief Executive Officer

The past year has been a difficult one for the P.E.I. Development Agency. It has been dominated by the need for the Agency to continue to carry out its daily activities while dealing with companies affected by the impact of the recession at the local, national and international levels, significant financial losses - particularly on loan guarantees, a significant funding constraint in marketing assistance, and a national economic environment unconducive to attracting out-of-province investment. These factors have placed heavy demands on the Agency Board and staff at all levels.

In spite of the difficult economic environment, the Agency participated in a number of major economic development initiatives that should provide ongoing benefit to the Island for years to come. The commencement of commercial production at the McCain potato processing plant in Carleton secures a strong future for the potato processing industry. This industry will be further strengthened by the substantial expansion of the Cavendish Farms processing operation in New Annan.

The establishment of an aerospace centre at the former CFB Summerside with substantive and experienced tenants - Atlantic Turbines Inc. and Bendix Avelex - holds tremendous promise for the Summerside area and the whole Province. This move to high tech aircraft maintenance and repair facilities on the Base assets provides proof of just how important these assets will be to the future economic development of the Province. The unique opportunities provided by the Base assets should see real growth in excellent paying job opportunities for well trained workers.

The possible construction of the Fixed Link may hold both short and long term economic benefits for the Province if the project receives the necessary approvals. The potential industrial benefits arising from the construction process would represent a totally unique opportunity for Prince Edward Island.

As well as involvement in these major initiatives, the Agency continued to provide financial and staff resources support to a large number of businesses throughout the Province. These efforts resulted in both the maintenance and creation of jobs as new companies were established, existing companies expanded and companies encountering problems continued in business.

The announcement by the Provincial Government in early 1991 of a major re-organization of its economic development sector for the purpose of bringing new focus and emphasis to economic development, better integrating existing activities, ensuring a more pro active role and achieving operational efficiencies was most welcome. In the changing economic and political environment of Canada and the world, it is imperative that Prince Edward Island be positioned to effectively pursue the full range of economic development opportunities. Increased economic self reliance is necessary if P.E.I. is to continue to support the lifestyle its residents are prepared to work for and expect.

The implementation of the new economic development agencies during 1991/92 will see the dissolution of the P.E.I. Development Agency as its mandate and responsibilities are assumed by the new agencies. The current Development Agency is committed to aggressively carrying out its vital role in the Island economy during the lead up and transition periods.

The success of the Agency, and the future successes of the new agencies, is dependent on the co-operation and support of many across the Province. I want to acknowledge the co-operation and assistance of Provincial Government Departments and Agencies, Federal Agencies - and, in particular, the Atlantic Canada Opportunities Agency - and all other groups and organizations that have contributed to the Agency's efforts.

Finally, to the Agency's Board and staff, my sincere thanks for their continued guidance, support and efforts during what I know has been a difficult and trying year, as well as an unsettling period of pending change and uncertainty.

Respectfully submitted,

Ginger Breedon
Chief Executive Officer

## Business Development

Business Development staff concentrated their efforts in assisting Island firms, special projects and industrial property matters. For example, successful efforts in the restructuring of Advanced Medical Technologies and Cytrigen International Inc. will result in the maintenance of jobs and optimism for the future of these firms. Involvement in special projects included working on the promotion of potential industrial benefits for P.E.I. arising from the construction of the Fixed Link. It also included working with Garden Province Meats on possible business opportunities for increased hog production, which would allow the plant to operate at viable production levels.

The initiatives at CFB Summerside involving the establishment of an aerospace centre were an important focus for the Business Development staff, as staff worked with others on securing Atlantic Turbines Inc. and Bendix Avelex as major tenants on the Base. Staff are continuing to work with Slemon Park Corporation and others in identifying and attracting additional companies to the aerospace centre.

A study to determine the quantity and availability of fish waste on P.E.I. was completed and found that significant quantities of these wastes are being used productively throughout the Province for such things as fish meal, fox feed, bait, etc. As a result the study concluded that only a very limited amount of fish waste, at peak periods only, is being disposed of in an unproductive manner.

A unique highlight of the year was the establishment of a provincial office in Hong Kong. The new office, called PEI Trade and Development Inc., has four full time staff members and interest for investment and trade with our Province is gaining momentum. In the new fiscal year the office will be concentrating on the sale of the Island Fund (until the end of June), on trade development and entrepreneurial immigration, as well as general promotional activities on behalf of Prince Edward Island.

A steady demand for incubator mall units continued during the year in both the Summerside and West Royalty Industrial Parks. At year end there was 100% occupancy in the Summerside Park and 92% occupancy in the larger West Royalty Park.

In recognition of future needs for industrial land in the Queens county area, 67 acres were conditionally acquired adjacent to the West Royalty Industrial Park. Depending on Community approval for re-zoning, this action should ensure adequate capacity to permit continued industrial development in the Greater Charlottetown area for the next 10 years.

## Finance Division

1990-91 was a year of continued and sustained activity for the Agency's Finance assistance operations with 104 applications for financing and incentives being approved compared to 108 in the previous year. Applications for financial incentives (Job Creation Incentive Program, Equity Investors' Incentive Program and Rental Incentive Program) continue to represent the majority of activity. Seventy-one applications were approved providing for incentives of $1,774,010 compared to 72 valued at $2,728,607 in the previous year.

The remaining 33 approvals during the year were for financing arrangements involving loan guarantees (new or renewals), term loans, bridge loans or equity investments. The total amount approved was $20,048,500.

A comprehensive evaluation of the Finance incentive programs was carried out during fiscal 1990-91. The results of this evaluation confirmed that these programs have been very effective in supporting business initiatives and creating jobs. They have also been a more cost effective method of promoting economic development than debt financing.

The evaluation revealed that since its introduction in 1982 a total of $4,795,007 has been disbursed under the Agency's Job Creation Incentive Program to 79 clients with 52 of these businesses (66%) still operating in 1991. These 52 businesses accounted for 78 percent of the funds disbursed creating and maintaining 559 full time and 741 part time/seasonal jobs. Similarly, under the Equity Investors' Incentive Program, introduced in 1987, a total of $2,008,571 of funds have been disbursed to investors, attracting nearly $8,000,000 of private sector investment to 38 PEI companies. A total of 24 (63%) of these companies remain operative in 1991, creating and maintaining 207 full time and 79 part time/seasonal jobs. Under the Rental Incentive Program, introduced in 1984, a total of $334,503 in assistance has been disbursed to 45 clients with 27 (60%) of these clients still in business in 1991, creating and maintaining 61 full time jobs and 67 part time jobs.

In light of the significant losses experienced with loan guarantees and concerns expressed by the Auditor General regarding this form of financial assistance, the Board, after extensive discussion about this type of financing mechanism, moved in early 1991 to substantially restrict the practice of providing loan guarantees in favour of the more cost effective performance-based incentive programs.

## Marketing

Funding constraints during the year were most prevalent in Marketing services and incentives. An interim eighteen month Marketing Agreement between the Atlantic Canada Opportunities Agency and the Provincial Government ended September 30, 1990. As a result, limited bridge funding had to be obtained and used to finish out the fiscal year pending the signing of a new longer term Federal/ Provincial Marketing Agreement.

During 1990-91 Marketing assistance was provided to 250 clients. Seventy-eight of these clients utilized $350,000 of cost-shared assistance through 147 marketing projects. The balance of clients were provided advice, expertise and staff time. Average client contribution projects was maintained at 60 percent resulting in a total marketing effort with Island processors and manufacturers of $875,000. In light of continued limited funding availability through a Federal/ Provincial Marketing Agreement, the financial assistance provided in 1990-91 was approximately half of that initiated in 1989-90 and about 35 percent of the normal marketing effort through the peak assistance years of the 1980's.

In addition to providing marketing expertise and funds to clients, clients were assisted where possible in accessing ACOA marketing funding. These efforts worked very well and built on the excellent and co-operative relationship the Agency has with ACOA.

Early in 1990-91 the Island seafood industry perceived a large overstock of processed lobster. The Agency, working with the Department of Fisheries and the Seafood Processors Association, played a major role in the development of an international promotional program that successfully depleted inventories.

In February of this year the Agency maximized the presentation of Island products to the many thousands of visitors at the 1991 Canada Winter Games through the publishing of an "Island Collection" catalogue, and the temporary establishment of a Prince Edward Island Products General Store. This project, in the longer term, achieved success in developing both an awareness of Island products and an effort among producers of product to assist each other.

Marketing staff participated in the negotiation of a new Marketing Co-operation Agreement between the Province and ACOA. This Agreement is expected to come into affect in 1991-92 and will provide a more secure and substantial amount of marketing assistance than has been available over the past two years.

## Office of the

Considerable Agency staff time, through Environmental Industrial Services Incorporated, was devoted to the administration aspects of the construction of the waste water treatment facility to service the new McCain Ltd. potato processing plant. Time was also spent on the planning for the enhanced waste treatment for the Cavendish Farms expansion.

As part of a review and report on Provincial Government loans and guarantees, the Auditor General noted some critical comments regarding the procedures utilized by the Agency. Upon receipt of the Auditor General's Report and at the direction of the Chairman of the Board, staff immediately addressed the concerns identified by the Auditor General and developed a complete package of Finance Guidelines. These Guidelines were forwarded to the Auditor General for comment, reviewed and approved by the Finance Committee and implemented by staff.

In light of the complex and changing international economic environment in which the Agency and its clientele operate, the following areas have been identified as critical issues/ courses of action for the new year:

- reduced budget dictates "more for less"
- more selective developmental approach
- identification of attractions for outside mobile investment
- internationalizing outlook of PEI firms and improving international competitiveness
- transition to new agencies.

## Approved [illegible] or Expan[illegible]

**In Fiscal Year Ended March 31, 1991**

| | 1991 | | 1990 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| **ECONOM[illegible]** | | | | |
| Agriculture | 7 | 4,057,300 | 10 | 10,855,000 |
| Fisheries | 13 | 9,876,200 | 17 | 15,852,500 |
| Industry | 13 | 6,115,000 | 9 | 1,865,000 |
| | 33 | 20,048,500 | 36 | 28,572,500 |
| **SIZE OF [illegible]** | | | | |
| 0 - 49,999 | 0 | 0 | 2 | 45,000 |
| 50,000 - 99,999 | 9 | 355,000 | 9 | 622,500 |
| 100,000 - 249,999 | 8 | 1,293,500 | 6 | 650,000 |
| 250,000 - 499,999 | 6 | 1,800,000 | 9 | 3,205,000 |
| 500,000 - 1,000,000 | 4 | 2,350,000 | 2 | 1,300,000 |
| Over 1,000,000 | 6 | 14,250,000 | 8 | 22,750,000 |
| | 33 | 20,048,500 | 36 | 28,572,500 |
| **TYPE OF [illegible]** | | | | |
| Guarantee | 14 | 11,355,000 | 17 | 13,997,500 |
| Term Loan | 12 | 7,370,000 | 11 | 11,630,000 |
| Other (Bridge Loans) | 4 | 441,200 | 7 | 2,845,000 |
| Equity | 3 | 882,300 | 1 | 100,000 |
| | 33 | 20,048,500 | 36 | 28,572,500 |
| **PURPOS[illegible]** | | | | |
| Establish new business | 10 | 6,891,200 | 15 | 8,460,000 |
| Expand existing business | 7 | 1,492,300 | 8 | 11,037,500 |
| Refinance existing business | 16 | 11,665,000 | 13 | 9,075,000 |
| | 33 | 20,048,500 | 36 | 28,572,500 |

## Approved
## Establish

**In Fiscal Year Ended March 31, 1991**

| | 1991 | | 1990 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| **ECONOM** | | | | |
| Agriculture | 8 | 381,828 | 10 | 740,242 |
| Fisheries | 5 | 515,000 | 6 | 136,550 |
| Industry | 58 | 877,182 | 56 | 1,851,815 |
| | 71 | 1,774,010 | 72 | 2,728,607 |
| **SIZE OF A** | | | | |
| 0 - 4,999 | 18 | 54,375 | 14 | 41,329 |
| 5,000 - 9,999 | 17 | 125,172 | 13 | 98,259 |
| 10,000 - 24,999 | 19 | 293,349 | 20 | 308,496 |
| 25,000 - 49,999 | 5 | 166,114 | 15 | 475,923 |
| 50,000 - 100,000 | 10 | 780,000 | 0 | 0 |
| Over 100,000 | 2 | 355,000 | 10 | 1,804,600 |
| | 71 | 1,774,010 | 72 | 2,728,607 |
| **TYPE OF A** | | | | |
| Equity Investors' Incentive | 13 | 296,375 | 18 | 988,250 |
| Job Creation Incentive | 18 | 1,092,372 | 20 | 1,246,925 |
| Rental Incentive & Mall Program | 40 | 385,263 | 34 | 493,432 |
| | 71 | 1,774,010 | 72 | 2,728,607 |
| **PURPOSE** | | | | |
| Establish new business | 40 | 917,841 | 31 | 1,735,988 |
| Expand existing business | 31 | 856,169 | 41 | 992,619 |
| Refinance existing business | 0 | 0 | 0 | 0 |
| | 71 | 1,774,010 | 72 | 2,728,607 |

## Approved [illegible] and Expenditures

**In Fiscal Year Ended March 31, 1991**

| | 1991 | | 1990 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| **ECONOMIC** | | | | |
| Agriculture | 18 | 80,415 | 43 | 159,400 |
| Fisheries | 26 | 43,150 | 46 | 179,415 |
| Industry | 82 | 141,680 | 134 | 198,600 |
| General | 21 | 85,990 | 26 | 33,300 |
| Handcraft - General | | | | |
| - Prince Co. Pilot Project | - | - | 168 | 205,475 |
| | 147 | 351,235 | 417 | 776,190 |
| **SIZE OF** | | | | |
| 0 - 49,999 | 147 | 351,235 | 391 | 418,455 |
| 50,000 - 99,999 | - | - | 13 | 83,635 |
| 100,000 - 249,999 | - | - | 9 | 116,100 |
| 250,000 - 499,999 | - | - | 4 | 158,000 |
| 500,000 - 1,000,000 | - | - | - | - |
| Over 1,000,000 | - | - | - | - |
| | 147 | 351,235 | 417 | 776,190 |
| **TYPE O** | | | | |
| Advertising and Promotion | 56 | 161,090 | 78 | 180,175 |
| Market Development | 15 | 15,270 | 16 | 17,400 |
| Market Organization, Education and Management | 6 | 7,100 | 17 | 13,355 |
| Market Research | 8 | 8,540 | 14 | 21,800 |
| Product Development | 13 | 30,430 | 43 | 74,495 |
| Specialized Market Assistance | 3 | 26,200 | 9 | 129,850 |
| Trade Shows | 46 | 102,605 | 72 | 133,640 |
| Handcraft - General | | | | |
| - Prince Co. Pilot Project | - | - | 168 | 205,475 |
| | 147 | 351,235 | 417 | 776,190 |

# Businesses Assisted

**In Fiscal Year Ended March 31, 1991**

A.F. Enterprises International Ltd., West Royalty
Acadian Fishermen's Co-op, Abram's Village
Advanced Medical Technologies Inc. (Tube-Fab Inc.), West Royalty
Aqua Health Ltd., West Royalty
Atlantic Fish Specialties Ltd., Parkdale
Atlantic Mussel Growers Corp., Bottle Point
Atlantic Panel Systems, West Royalty
Aubin J. S. Gallant Inc., Cape Egmont
Babineau Fisheries Ltd., Morell
Baby Safe Inc., Harrington
Bar Island Corp., Murray Harbour
Bendix Avelex Inc., Summerside
Bernard, Keith, Kensington
C & L Seafoods, Beach Point
Canadian Clear Pure Water Co. Ltd., West Royalty
Canadian Smoked Fish, Bedeque
Canmar Computer, West Royalty
Cass Craft of P.E.I., Meadowbank
Cavendish Figurines, Summerside
Chuckers' Trophies & Awards, Charlottetown
Cosgrove, Larry, Charlottetown
Creative Esthetics Dental Laboratory, West Royalty
Crossed Key Publishing, Charlottetown
Cytrigen Energy Products, Summerside
Decorative Paintwork, Parkdale
Design Associates, Charlottetown
Diagnostic Chemicals Ltd., West Royalty
Drake Truck Bodies Ltd., Vernon Bridge
Durabelt Inc., Alberton
E.S.I. Canada Ltd., West Royalty
Early Bloomers, Belle River
Eastern Filter Services, Bedeque
Fine Food Investments Ltd., West Royalty
Garden Province Meats Inc., Charlottetown
Gaylden Orchard, Mills Point
Georgetown Shipyard, Georgetown
Gorman Controls Ltd., Bonshaw
Great Northern Knitters Inc., West Royalty
Green Acres Produce Ltd., O'Leary
Green Isle Management, Montague
Gulf Star Chemicals Ltd., New Glasgow
Guy the Painter Studio Inc., West Royalty
Hall & Stavert Ltd., West Royalty
Hockey Expo, Summerside
Hutt Bros. Ltd., West Royalty
Imapro Inc., West Royalty
Imperial Ambulances Outfitters Ltd., Summerside
Integrated Aquatic Systems, Brookvale
Island Bean Ltd., Heatherdale
Island Control Ltd., Charlottetown
Island Eyeworks Ltd., West Royalty
Island Green Farms, Hunter River
Island Saltfish Inc., DeSable
Island Wind Chimes, Breadalbane
Islander Fashion Co-op, West Royalty
I-Tek Engineering, West Royalty
J & L Fiberglassing, Coleman
Jack's Quality Meats, Summerside
Jo & Co, Summerside
Johnston's Home Style Products Ltd., West Royalty
Kindred Spirits of P.E.I., Kelvin Grove
Lakeside Traditionals, West Royalty
Lighthouse Artists Co-op, Point Prim
Liv-Mor Products International Ltd., Summerside
Lobster Specialties Ltd., Summerside
MacAusland's Woolen Mills, Bloomfield
MacKay's Harness Racing Equipment, North Milton
Marenco Engineering, West Royalty

**In Fiscal Year Ended March 31, 1991**

Marsh, Glen, Summerside
Martin MacRae Woodworking, St. Louis
Mat Pak Industries, Summerside
McKenna Bros. (1989) Ltd., Cardigan
Mermaid Marine, West Royalty
Mid Isle Farms, Albany
Montague Dairy Ltd., Montague
North Lake Fishermen's Co-op, North Lake
Northern Telecom Canada Ltd., West Royalty
Onyx and Marble Sculptures, Central Bedeque
P C Industries, Summerside
P.E.I. Mussel Farms Inc., Morell
P.E.I. Pattern Works, Summerside
P.E.I. Potato Chip Co-op, Urbainville
P.E.I. Preserve Co. Ltd., New Glasgow
P.E.I. Wood Crafts, Cornwall
Padinox Inc., West Royalty
Pen and Ink Studio, Charlottetown
Perfection Foods, Charlottetown
Pioneer Village, Mont Carmel
Polar Productions & Sports Consultants Inc., Charlottetown
Pole Star Vinyl Windows, Morell
Porta-Flex Products (P.E.I.) Ltd., West Royalty
Prince Edward Air, Charlottetown
Provincial Construction Co. Ltd., Kensington
Queen's County Blacksmith Shop, Vernon Bridge
Rag-a-Muffin Designs, Charlottetown
Rainbow Carpet Design, Summerside
Rainbow Screen Print, Montague
Renaissance Communications, Charlottetown
Round One Inc. (Paul Wedge), Summerside
Rum Runner Ocean Products, Cardigan
S.J. Home Products Inc., Bloomfield
Schurman Industries, Summerside
Sewco, Charlottetown
Souris Seafoods, Souris
Souris Marine Products, Souris
Southside Marketing, Beach Point
Stewart-McInnis Maple Products, Breadalbane
Stitching Plus Inc., Summerside
Tannereye Ltd., West Royalty
Taylor Made Couture, Charlottetown
The Old Forge, Hunter River
The Tin Shop, Breadalbane
The Salt Box, Souris
Top Arc Manufacturing, Morell
Tube Fab Inc., West Royalty
Usen Fisheries, Souris
Waterline Inc., Milton
Wee Care Diaper Supply, Bunbury
Westech Agriculture, Bloomfield

# Commodity Boards, Associations Assisted

**In Fiscal Year Ended March 31, 1991**

Prince Edward Island Division, Canadian Manufacturers Assoc.

Prince Edward Island Egg Commodity Marketing Board

Prince Edward Island Hog Marketing Board

Prince Edward Island Manufacturers

Prince Edward Island Oyster Association

Prince Edward Island Processors

Prince Edward Island Seafood Processors Association

# Corporate Directory

## BOARD OF DIRECTORS

*Hon. Robert Morrissey
Sea Cow Pond
Minister of Industry & Chairman

Simon Arsenault
Southport
Business Executive

Lorin Brehaut
Murray Harbour
Meat Manager, S.D. Hugh Ltd.

*Warren Carragher
Summerside
Chartered Accountant

*Tom Cullen
Charlottetown
Vice President, Purity Dairy Ltd.

*Ginger Breedon
Bunbury
Chief Executive Officer, PEIDA
Deputy Minister of Industry

*Harry Lowther
Breadalbane
Business Consultant

Rod MacNeill
Tyne Valley
General Manager, Gulf Produce Co. Ltd.

Norma MacNeill
West Devon
Manager, West Prince Ventures Ltd.

Ken Moase
North Bedeque
President, Travellers Rest Mobile Homes

Dean C. Shaw
Charlottetown
Solicitor

Don Smith
Pownal
President & General Manager,
Metro Building Supplies Ltd.

*Member of Executive Committee

## ADVISORY COMMITTEES

### BUSINESS DEVELOPMENT

Harry Lowther, Chairman
Simon Arsenault, Vice Chairman
Lorin Brehaut
Warren Carragher
Tom Cullen

### FINANCE

Warren Carragher, Chairman
Norma MacNeill, Vice Chairman
Harry Lowther
Rod MacNeill, Vice Chairman
Don Smith

### MARKETING

Tom Cullen, Chairman
Dean C. Shaw, Vice Chairman
Simon Arsenault
Lorin Brehaut
Ken Moase

## OFFICERS

Hon. Robert Morrissey
Chairman of the Board

Ginger Breedon
Secretary-Treasurer and
Chief Executive Officer

Ronald H. Atkinson
Executive Director, Marketing

Hillard MacKinnon
Executive Director, Finance

Donald E. Baker
Executive Director
Business Development

J. Reagh Hicken, Controller

## AUDITORS

Coopers & Lybrand
Chartered Accountants

## BANKER

Bank of Montreal

# Financial St

**For the Year Ended March 31, 1991**

## AUDITORS' REPORT TO THE DIRECTORS

**June 6, 1991**

We have audited the balance sheet of the Prince Edward Island Development Agency as at March 31, 1991 and the statement of operations for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 1991 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand

Chartered Accountants
Charlottetown, P.E.I.

## Balance Sheet

As at March 31, 1991

| | 1991 $ | 1990 $ |
|---|---|---|
| **ASSETS** | | |
| **Cash and Short-Term Deposits** | 2,208,124 | 2,369,251 |
| **Accounts Receivable** | 264,425 | 432,161 |
| **Loans Receivable** (note 3) | 10,324,595 | 22,340,874 |
| **Property Holdings** (note 4) | 7,527,561 | 8,102,756 |
| **Share Investments** (note 5) | 1,080,655 | 1,015,280 |
| **Other Investments** (note 6) | 2,972,002 | 3,372,002 |
| **Due From the Province of Prince Edward Island** (note 7) | | |
| Provision for possible losses | 15,570,731 | 11,448,437 |
| | 39,948,093 | 49,080,761 |
| **LIABILITIES** | | |
| **Accounts Payable and Accrued Liabilities** | 4,043,690 | 4,387,770 |
| **Due to the Province of Prince Edward Island** (note 7) | | |
| Current operations | 1,395,610 | 419,512 |
| **Notes Payable** (note 8) | 34,500,493 | 44,265,179 |
| | 39,939,793 | 9,072,461 |
| **Contingent Liabilities** (note 10) | | |
| **EQUITY** | | |
| **Contributed Capital** | 8,300 | 8,300 |
| | 39,948,093 | 49,080,761 |

SIGNED ON BEHALF OF THE BOARD

Director

Director

## Statement of Operations

**For the Year Ended March 31, 1991**

| | (Unaudited) Budget 1991 | 1991 | 1990 |
|---|---|---|---|
| | $ | $ | $ |
| **Revenue** | | | |
| Grant from the Province of Prince Edward Island | | | |
| - Operating | 12,319,900 | 19,029,352 | 13,842,800 |
| - Environmental Industrial Services Inc. | - | 4,813,600 | 2,000,000 |
| Interest from borrowers and deposits | 2,624,600 | 2,783,308 | 2,647,888 |
| Rentals and recoveries from properties, net of rental subsidies of $226,853 (1990 - $276,015) | 450,300 | 558,286 | 468,806 |
| Other | 40,000 | 157,910 | 61,556 |
| | 15,434,800 | 27,342,456 | 19,021,050 |
| **Expenses** | | | |
| Incentive programs (note 9) | 3,913,000 | 796,319 | 3,211,068 |
| Administration and business development | 2,541,800 | 2,280,649 | 2,202,517 |
| Properties | 1,187,100 | 1,236,598 | 1,277,349 |
| Interest on funds borrowed | 4,133,700 | 3,760,515 | 3,820,451 |
| Assistance to meat processing industry | 1,515,700 | 1,970,854 | 1,744,896 |
| Grant - F.T.C. Enterprises Limited | 1,231,600 | 1,205,700 | 1,082,600 |
| Grant - Environmental Industrial Services Inc. | - | 4,813,600 | 2,000,000 |
| Grant - Prince Edward International Ltd. | 191,900 | 115,759 | 191,900 |
| Grant - Lakeside Development Corporation | - | 100,000 | - |
| Provision for possible losses | 720,000 | 11,071,609 | 5,169,110 |
| | 15,434,800 | 27,351,603 | 20,699,891 |
| | - | (9,147) | (1,678,841) |
| **Other Income** | | | |
| Gain on disposal of investments | - | - | 114,143 |
| **EXCESS EXPENSES FOR THE YEAR** (note 7) | - | (9,147) | (1,564,698) |

## Notes to Financial Statements

**For the Year Ended March 31, 1991**

### 1. Accounting Policies

**a. General**
The financial statements of the Agency have been prepared in accordance with generally accepted accounting principles. The following is a summary of significant accounting policies used in the preparation of these financial statements.

**b. Lease option**
A building constructed for an industrial company is being leased with an option for the company to purchase the building after five years. This building is valued at the cost of the property plus capitalized interest, net of lease payments.

**c. Provision for possible losses**
A provision for possible losses is determined annually based on historical collection experience and a review of loans, guarantees, share investment portfolio and property held for resale. Interest revenue is not accrued for accounting purposes on loans when a write-off is anticipated.

The provision for possible losses is recorded as an amount due from the Province.

The Agency records as revenue the annual budgeted provision for current year's possible losses. The budgeted provision for possible losses is established as part of the normal budget process and is updated to reflect known changes as they become evident during the year. Any variance of the actual provision from the updated budgeted provision is recorded as an amount "Due From (To) The Province - Current Operations."

**d. Share investments**

(i) Equity investments
One-half of investments made under the small business equity program are included on the balance sheet as share investments. One-half of the investments approved are accounted for as an incentive program expense on the statement of operations. Any recovery exceeding the balance in share investments is taken into revenue when received.

Other equity investments are accounted for using the cost method.

(ii) Investment in subsidiaries
The Agency records the investment in wholly-owned subsidiaries, Ward Holdings Ltd., F.T.C. Enterprises Limited, Environmental Industrial Services Inc., and Advanced Medical Technologies (1988) Inc. using the cost method of accounting. In order to provide a more informative presentation of the operations of the Agency and since the Province has complete access to information of all the subsidiaries and increases in the equity of the subsidiaries are likely to be reinvested in the subsidiaries and not accrued to the Agency, consolidated statements have not been prepared. As a result, some users may require additional information concerning the operations of the subsidiaries.

**e. Property holdings and depreciation**
Property holdings are valued in total at the lower of cost, net of government grants, and anticipated realizable value. Accumulated interest is included in the cost of industrial sites.

Industrial malls are depreciated using the straight-line method over 15 years or 25 years, the same period as the related debt is retired. Office furniture and equipment are depreciated using the straight-line method over 3 to 5 years.

**f. Other investments**
The Prince Edward Island Development Agency purchased $3,862,000 in Class B preferred shares of Garden Province Meats Inc. relating to capital expenditures. These Class B shares are carried on the balance sheet at cost less accumulated amortization. The shares are amortized at the rate of $400,000 annually.

In accordance with the agreement outlined in note 10c, the Agency receives Class B preferred shares equal to contributions made. These Class B preferred shares are carried on the balance sheet at a nominal value of $1 with the investment expensed as assistance to meat processing industry.

**g. Incentive programs**
Incentive programs for the Finance Division are expensed and included in accrued liabilities when approved and accepted. Marketing Division programs are recorded only when funds are disbursed, since the total amounts are not determinable when such programs are initially approved.

### 2. Status of the Agency

The Agency was incorporated as a Crown Corporation in 1984 pursuant to the Prince Edward Island Development Agency Act. The financial results of the Agency are included in the public accounts of the Province of Prince Edward Island.

## 3. Loans Receivable

| | 1991 | 1990 |
|---|---|---|
| | $ | $ |
| Principal | 15,272,905 | 27,360,074 |
| Accrued interest receivable | 502,200 | 703,851 |
| | 15,775,105 | 28,063,925 |
| Lease option, net of unearned lease revenue of $48,643 (1990 - $56,384) | 102,576 | 108,701 |
| | 15,877,681 | 28,172,626 |
| Less: Provision for possible losses | 5,553,086 | 5,831,752 |
| | 10,324,595 | 22,340,874 |

## 4. Property Holdings

| | 1991 | | | 1990 |
|---|---|---|---|---|
| | Cost | Accumulated depreciation | Net | Net |
| | $ | $ | $ | $ |
| Industrial sites | 744,653 | - | 744,653 | 481,378 |
| Industrial malls | 3,147,055 | 1,248,730 | 1,898,325 | 2,077,560 |
| Office furniture and equipment | 111,320 | 79,052 | 32,268 | 41,109 |
| | 4,003,028 | 1,327,782 | 2,675,246 | 2,600,047 |
| Land, buildings and equipment held for resale or under lease purchase options | | | 17,707,460 | 11,844,394 |
| Less: Provision for possible losses | | | 12,855,145 | 6,341,685 |
| | | | 4,852,315 | 5,502,709 |
| | | | 7,527,561 | 8,102,756 |

During the year, interest in the amount of $38,504 was capitalized in the cost of industrial sites.

## 5. Share Investments

| | 1991 | 1990 |
|---|---|---|
| | $ | $ |
| **a. Shares in private companies** | | |
| Small Business Equity program | 467,500 | 989,625 |
| Other equity investments | 2,525,004 | 2,300,454 |
| | 2,992,504 | 3,290,079 |
| Less: Provision for possible losses | 1,912,500 | 2,275,000 |
| | 1,080,004 | 1,015,079 |
| **b. Investment in subsidiaries** | | |
| Voting shares | | |
| 100 common shares - F.T.C. Enterprises Limited | 100 | 100 |
| 100 common shares - Environmental Industrial Services Inc. | 100 | 100 |
| 100 common shares - Ward Holdings Ltd. | 1 | 1 |
| 1,000 common shares - Advanced Medical Technologies (1988) Inc. | 450 | - |
| | 651 | 201 |
| | 1,080,655 | 1,015,280 |

c. Condensed financial data of subsidiaries is presented in note 12.

## 6. Other Investments

| | 1991 | 1990 |
|---|---|---|
| | $ | $ |
| Garden Province Meats Inc. | | |
| - Preferred shares relating to capital expenditures - at cost less accumulated amortization of $890,000 (1990 - $490,000) | 2,972,000 | 3,372,000 |
| - Preferred shares relating to operations - at nominal value | 1 | 1 |
| G.P.M. Limited Partnership - at nominal value | 1 | 1 |
| | 2,972,002 | 3,372,002 |

## 7. Due from (to) the Province

| | 1991 | 1990 |
|---|---|---|
| | $ | $ |
| **PROVISION FOR POSSIBLE LOSSES** | | |
| **Balance - Beginning of Year** | 11,448,437 | 12,944,503 |
| Current year's expense | 11,071,609 | 5,169,110 |
| | 22,520,046 | 18,113,613 |
| Advance on current provision | 4,750,000 | 3,000,000 |
| Write-offs applied to reduce notes payable during the year | 2,199,315 | 3,665,176 |
| | 6,949,315 | 6,665,176 |
| **Balance - End of Year** | 15,570,731 | 11,448,437 |
| **CURRENT OPERATIONS** | | |
| **Balance - Beginning of Year** | (419,512) | (2,449,847) |
| Repayment of previous year's balance | 419,512 | 2,449,847 |
| | - | - |
| Excess expenses for the year | 9,147 | 1,564,698 |
| Operating grant receivable | 13,352 | - |
| Excess of current year's expense for possible losses over budgeted provision for possible losses | (1,418,109) | (1,984,210) |
| **Balance - End of Year** | (1,395,610) | (419,512) |

## 8. Notes Payable

The notes payable are issued to the Province of Prince Edward Island and have various repayment terms and interest rates ranging from 9.97% to 11.5%. The current portion of the notes payable is $2,856,000.

## 9. Incentive Prog[redacted]

| | 1991 | 1990 |
|---|---|---|
| | $ | $ |
| **Finance** | | |
| Equity investors incentive | (446,687) | (113,441) |
| Job creation incentive | 202,442 | 945,596 |
| Rental incentive | 76,766 | 201,147 |
| Small business equity | 285,000 | 1,290,000 |
| Venture capital | - | 11,523 |
| | 117,521 | 2,334,825 |
| **Marketing** | | |
| Market and product development | 43,314 | 102,486 |
| Market research and information | 12,095 | 39,229 |
| Market promotion | 258,389 | 319,414 |
| Market organization | 83,666 | 201,773 |
| Marketing programs - other | 149,871 | - |
| Strategic development | 98,000 | - |
| Communication agreement | 33,463 | - |
| | 678,798 | 662,902 |
| **Handcrafts and Cultural** | - | 213,341 |
| | 796,319 | 3,211,068 |

## 10. Contingent Liabil[redacted]

a. As of March 31, 1991, the Agency was contingently liable under loan guarantees in the amount of $14,500,296 (1990 - $8,288,496) for which the Agency has included $2,038,000 in its provision for possible losses.

b. The Agency has entered into commitments to provide up to $12,900,000 in mortgage financing if expected conventional financing sources are not available. The agreements relating to the commitments provide security to minimize the Agency's risk. In the case of an $8,400,000 commitment, the value of the security cannot be reasonably estimated, and therefore the amount of any potential loss is not determinable. In the event there is a loss, it will be accounted for as an expense in the period it is reasonably determinable.

c. Under an agreement including the Province of Prince Edward Island and Garden Province Meats Inc., the Agency was obligated to purchase Class B preferred shares of an amount equal to the net losses incurred in operating the meat plant until July 23, 1988. Subsequent to July 23, 1988, if in any eight-week period less than 4,500 hogs per week are delivered to the plant, a contribution based on costs and lost revenue associated with operating below 4,500 hogs is required. The contribution for the year ended March 31, 1991 amounted to $1,151,591 (1990 - $863,837). This obligation terminates at the earlier of December 31, 1995 or the date when G.P.M. Limited Partnership obtains a specified level of accumulated earnings.

## 11. Commitments [redacted]

Loans and equity investments approved but not disbursed at March 31, 1991 amount to $4,180,800 (1990 - $3,233,000).

The Agency is committed to cost sharing incentive programs with clients. At March 31, 1991, the estimated expenditure under marketing commitments is $11,000 (1990 - $206,000) and under finance commitments $705,000 (1990 - $289,000).

**12. Condensed Financial Information of Subsidiaries**

| | 1991 | 1990 |
|---|---|---|
| | $ | $ |
| **BALANCE SHEET** | | |
| **Assets** | | |
| Current assets | 6,654,676 | 2,645,165 |
| Fixed assets and other assets | 14,981,099 | 2,930,367 |
| | 21,635,775 | 5,575,532 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities | 2,127,148 | 102,335 |
| Deferred credits | 13,698,384 | 4,291,025 |
| Shareholders' equity and contributed surplus | 5,810,243 | 1,182,172 |
| | 21,635,775 | 5,575,532 |

| | 1991 | 1990 |
|---|---|---|
| | $ | $ |
| **STATEMENT OF INCOME** | | |
| **Revenue** | 2,573,712 | 1,634,544 |
| **Expenses** | 2,360,963 | 1,443,612 |
| **Net Income for the Year** | 212,749 | 190,932 |

Included in the $2,573,712 in revenue and the $9,407,359 increase in deferred credits are grants from the Prince Edward Island Development Agency of $1,205,700 (1990 -$1,012,600) in revenue and $4,813,600 (1990 - $2,000,000) in deferred credits.